

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Award names

Dear

We have considered your request for advance approval of your grant-making program under sections 4945(g)(1) and 4945(g)(3) of the Internal Revenue Code, dated July 28, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You indicated that the grant programs would have no official name but may be known as X.

Grants made by you under IRC section 4945(g)(1) will only be made for study and courses at accredited schools that normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of students in attendance at the place where the educational activities are regularly carried on.

Your grant program will be advertised on your web site. You might also distribute information at schools and educational institutions. You have not yet prepared an application form, program description, rules statement or publicity materials, but you are in the process of doing so.

You hope to provide at least one grant per year in each of the following categories: academic, artistic (visual arts/performing arts), musical and literary. The actual number may vary with the pool of qualified candidates. If, for example, in a particular year there is a very strong crop of applicants in the visual arts field and very few applicants in the academic category, you would consider funding more visual arts and fewer academic scholarships. You have not yet provided any scholarships but hope to provide 2-4 scholarships in each future year. You anticipate receiving roughly 20-25 applications for scholarships or slightly more in future years.

In selecting students to receive scholarships you will look at the applicant's aptitude and potential based on past accomplishments in the relevant field, prior academic, musical, artistic or literary performance (based on the focus of the grant), overall character and financial need. You will examine transcripts and past works, read recommendations from teachers and others, and consider income and asset levels. You might also conduct one-on-one interviews to get a sense of the candidates' motivation, character and potential. This information will enable you to choose recipients on a purely objective basis based on a combination of merit and need.

The criteria you will use in selecting grant recipients will be directly related to the purposes of the grant. For example, academic scholarship candidates will need to demonstrate strong prior academic performance (high test scores and good recommendations from teachers), while artistic scholarship candidates will need to show creativity and artistic aptitude based on past works and projects. All candidates will have to show strong character and financial need.

In sorting through the candidates for scholarships, your selection committee will prioritize merit and promise in the relevant field. For example, if the scholarship will be for visual arts, the committee will examine the past works and projects created by the candidate. Once the pool is narrowed based on talent and potential, the committee will seek to distinguish the candidates on the basis of need. Financial information will be reviewed, and the candidates who ranked highest in talent and in need will be called for interviews. The one that seems to have the most promise in terms of character and likelihood of growing and benefitting from the course of study will be selected. You will seek to provide scholarships in each of the following areas each year: academic, artistic (visual arts/performing arts), musical and literary.

The selection committee is comprised of your board of directors. You will operate under a strict policy of objectivity and non-bias in your award recipient selection. No individual who is a relative by blood or marriage of anyone on the selection committee is eligible to receive an award. Moreover, no employee of the organization or member of such employee's family is eligible. Finally, no disqualified person with respect to you is eligible. You will not discriminate on the basis of race, color, nationality, religion, ethnicity, or gender.

Your grants will be paid directly to the schools at which the recipients will pursue their studies. Funds will be disbursed by check, per semester when due, directly to the school. Some portion of funding for non-tuition, education-related expenses may also be paid directly to the recipient.

You require a copy of each recipient's transcript from the school upon completion of each academic year. Scholarship funds granted for non-tuition education-related expenses such as books and supplies must be itemized and supported by documentation such as receipts or credit card statements.

The duration of the scholarships will vary depending on the program or course of study supported, but for multi-year programs the scholarship award is reviewed anew at the end of each school year. If the recipient has successfully completed the prior year of study, has reported to you in accordance with your requirements and has continuing interest, motivation and need the scholarship will be renewed.

If you discover a misuse of award funds, you will immediately notify the recipient and ask for an accounting and report. You will attempt to do your own investigation to the degree possible, and will withhold any further disbursement during the investigation period. If it is determined that the grant funds were misspent, you will withdraw the scholarship and seek a return of all unspent and improperly spent funds. Upon withdrawal or drop-out, to the extent tuition fees are refundable, you will seek to recover them. No further tuition payments or other disbursements will be made. You will also require the recipient to return any unspent non-tuition grant funds as of the date of withdrawal. In some cases, if the seriousness of the situation and the amount involved warrant it, the organization may pursue legal recourse.

You will also make awards under 4945(g)(3). These grants will be for specific objectives (such as producing a report or other product) or to enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill or talent.

You have indicated that you are likely to focus on arts and education related objectives, such as the funding of a group of talented actors in creating a theater group, a gifted musician writing an opera, or successful teachers preparing materials to share their teaching methods. No guidelines for applicants have been prepared, but any recipient of a specific, objective grant will be required to provide in detail a description of the planned project and the results sought, specific costs and amounts associated with the project, and the applicant's background, experience and qualifications with regard to the project.

The recipient will be required to report to you on a regular basis describing progress made on the project and show all expenditures compared with budgeted costs to date. A final report will be required upon completion of the project and any unspent funds will be required to be returned.

You have not ruled out the possibility of providing funds to foreign individuals or for study at foreign educational institutions. Should you decide to make grants to foreign individuals or for study at foreign schools, you will first carefully check the Treasury Department's Office of Foreign Assets Control ("OFAC") terrorist lists to ensure that you do not inadvertently transfer funds to any inappropriate organization or become involved with any individuals on the Specifically Designated Nationals ("SDN") list. You will have a policy of not working in sanctioned countries, unless such countries are crucial to achieving your educational purposes, in which case you will make all appropriate registrations and acquire any necessary and appropriate licenses in advance.

You have agreed to retain all of the following records:

- a) All of the information you have used in evaluating a grantee's application;
- b) The grantee's personal identification information, including any relationship he or she has with you, which may indicate that he or she is a disqualified person;
- c) The amount of the grant and a description of the research project for which it was granted; and
- d) The information which you learned from any investigation into use of funds.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term “taxable expenditure” means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute “taxable expenditures” within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are ‘scholarship or fellowship’ grants within the meaning of sections 4945(g)(1) and 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection

committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of sections 4945(g)(1) and 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations